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ISRAEL: The National Religious Party has resumed coalition talks with Prime Minister Meir's Labor Alignment, and a breakthrough on the controversial religious issue is possible.

According to an Israeli press report, the majority of the National Religious Party negotiating team is willing to accept a compromise proposal by the Alignment on the religious question which has been the major stumbling block preventing the formation of a new cabinet. Under the plan, a special ministerial committee will have one year to propose changes in those portions of the Israeli Law of Return defining who is a Jew. In the interim, only conversions to Judaism in accordance with orthodox procedures will be recognized. In effect, this would appear to meet, at least temporarily, the National Religious Party's demands.

The National Religious Party reportedly is also demanding, as a price for joining the cabinet, that the new government not be empowered to conclude any agreement concerning the future status of the Jordan West Bank. Such a decision, the party claims, can be settled only by new general elections. A workable compromise on this point should be easier to find than on the religious issue, however.

The Independent Liberal Party--the third partner in the Alignment-led coalition that Mrs. Meir is attempting to re-establish--has apparently not yet reacted. The party has pressed for maintenance of the status quo on the religious issue, however, and will presumably be unhappy over these developments. It may, perhaps, even balk at joining the cabinet.

An Alignment coalition with the National Religious Party, but without the Independent Liberal Party, would still give Mrs. Meir a workable coalition controlling 64 of the 120 Knesset seats. She would undoubtedly prefer to have the Independent Liberal

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Party in the cabinet to give her a more comfortable governing margin with four more Knesset seats and to provide some counterweight to the National Religious Party. Mrs. Meir conceivably could also ask the ultra-orthodox Agudah Religious Front with its five Knesset seats to join her government if the Liberals refused to do so.

Mrs. Meir remains adamantly opposed to calling for new elections to break the current deadlock. Such a process could, in any event, take two or three months at a time when the country urgently needs a government to continue the peace negotiations with the Arabs and to deal with numerous domestic problems. Mrs. Meir is also opposed to forming either a broad coalition government with the rightwing Likud or a narrow coalition with the liberal parties. She presumably is also against an Alignment-only minority government.

Mrs. Meir may be operating, however, under a self-imposed deadline to form a new cabinet by tomorrow and may have to compromise. She reportedly does not want to ask President Katzir to renew her mandate to form a coalition for another three weeks when it expires on February 20. Although there has been some speculation that if Mrs. Meir fails to reach agreement on a coalition by tomorrow, she will step down and retire, the US Embassy in Tel Aviv doubts that she actually wants to make such a move at this time.

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SOUTH VIETNAM: The government changes announced on February 18 reflect an effort by President Thieu to upgrade the status of Prime Minister Khiem and to put greater momentum behind economic policies.

The most significant features of the changes are the transfer of certain functions from the president's office to that of the prime minister and the appointment of two new deputy prime ministers to oversee welfare and development activities. The naming of controversial presidential aide Hoang Duc Nha as minister of public information enables Thieu to formalize Nha's recent authority over information activities while moving him, at least ostensibly, under Prime Minister Khiem, who has been chafing under Nha's growing influence.

The three deputy prime ministers in the cabinet now include Nguyen Luu Vien, who is without portfolio and serves as Saigon's chief negotiator in Paris; Phan Quang Dan, who is concurrently minister of social welfare; and retired General Tran Van Don, named in charge of "inspecting" national development programs. Both Dan, a cabinet holdover, and Don, a Lower House deputy and unofficial adviser to Thieu, are activists, presumably expected to bring stronger direction to the economic ministries now headed by able technicians and bureaucrats.

The chief casualty in the latest reshuffle is Pham Kim Ngoc, who was replaced as commissioner of planning by Nguyen Tien Hung, a former instructor at Howard University. Ngoc had been kept on last October when older officials concerned with economic and financial affairs were changed, probably because of his good rapport with Americans. All of the ministers appointed in October have been retained, indicating that Thieu's dissatisfaction with the direction of economic policies continued to center on Pham Kim Ngoc.

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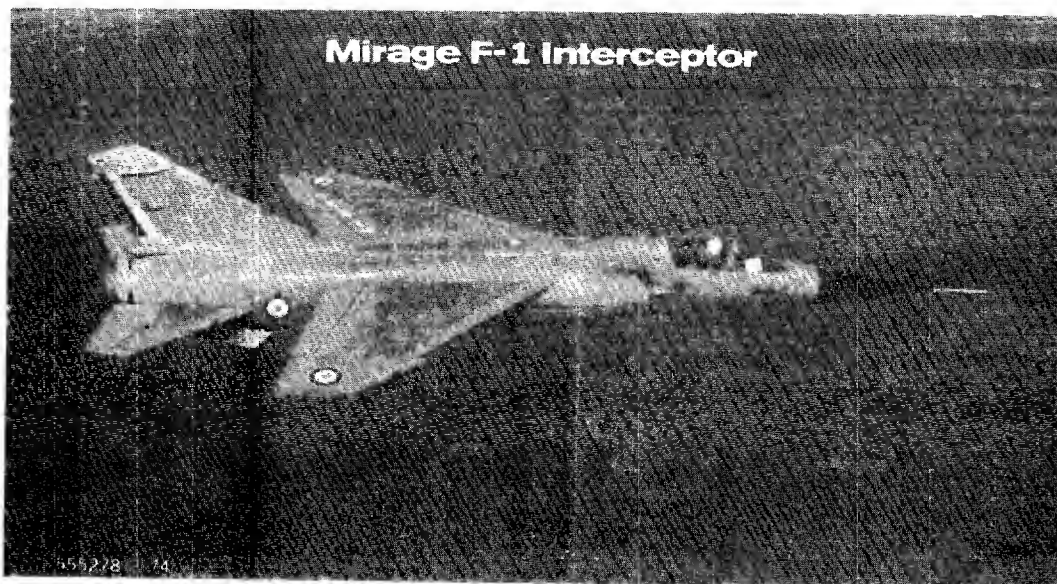
USSR: The Soviets have again closed an area in the Pacific Ocean for extended-range tests of one of their new ICBMs. Moscow announced yesterday that an area about 1,500 nautical miles southeast of the Kamchatka Peninsula would be closed beginning today until March 10. The closure coincides with the reopening of the SALT talks in Geneva.

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FRANCE - WESTERN EUROPE: Avions Marcel Dassault has proposed that France, Belgium, the Netherlands, and Australia participate in the construction of a "Mirage F-1 International" aircraft, according to the French press. The proposal is said to have the financial backing of the French Government.

This proposal appears to be one of several current maneuvers by France to capture the European market for fighter aircraft during the second half of the 1970s. France is competing with the US to provide a replacement aircraft for the aging F-104 interceptor, the backbone of several European tactical air forces. Sweden also is in the competition with its Viggen aircraft, but appears to be running a distant third.

The F-1 International--or Super Mirage--is the planned export model of the Mirage F-1, an aircraft just now entering France's inventory. The Super Mirage will have an improved engine over the F-1, giving it greater speed and altitude capabilities. Engine development is under way, but the Super Mirage will not be operational before 1976.

French sales inducements probably will include licensing agreements and joint production plans in which the aircraft will be assembled in purchasing countries. If France corners the European market, assembly in the purchasing countries probably will be required for near-term delivery because French production facilities are limited.

Both Belgium and the Netherlands are expected to make a decision on replacement aircraft for their F-104s by summer. Their decision will influence the aircraft replacement programs of other European nations because of current efforts toward standardizing military equipment at a time of tight military budgets.

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AFGHANISTAN-USSR: Moscow and Kabul have concluded negotiations for a \$120-million trade agreement for the current year. The dollar amount is 40 percent higher than last year. Most of the increase is the result of applying world market prices--for the first time--to Soviet sugar and Afghan cotton and wool.

Preliminary reporting on the agreement does not indicate what Moscow's price for petroleum products or Kabul's price for natural gas is to be. These prices were expected to be a major issue in negotiations. [REDACTED]

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CHINA-JAMAICA: Peking has signed an economic aid agreement with Kingston after a year-long lull in Chinese aid initiatives to Latin American countries. Peking will design and build complete plants and provide equipment and technical assistance to Jamaica. The agreement was preceded by the visit of a Chinese trade mission and the provision of flood relief assistance to Jamaica last year.

Less than 15 percent of some \$135 million in Chinese credits to all Latin America has been drawn, and this has been in the form of commodity aid and foreign exchange credits. Not a single project has been initiated. Administrative problems on both sides have caused the delays since the program began in 1971. [REDACTED]

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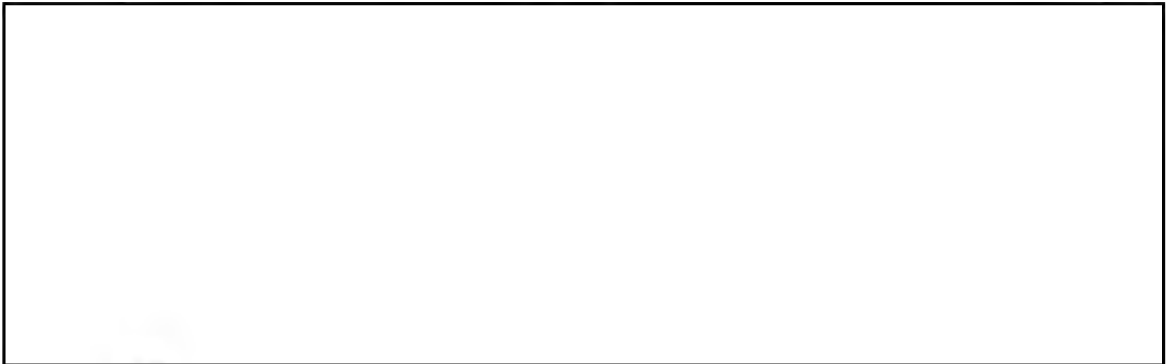
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FOR THE RECORD



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Peru: The Foreign Ministry has announced that a multimillion dollar agreement to compensate US firms that have been nationalized will be signed today in Lima, according to press reports. The signing of the compromise agreement will remove an issue that has strained relations with the US since a military regime took power in Peru in 1968.

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